

Transportation Investment Corporation

2016/17 – 2018/19 SERVICE PLAN



Transportation
Investment Corporation

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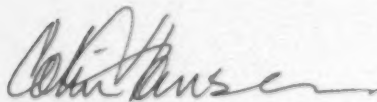
www.trco.ca

Accountability Statement

Transportation Investment Corporation's (TI Corp) 2016/17 - 2018/19 Service Plan was prepared under the Board of Directors' direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The plan is consistent with government's strategic priorities and fiscal plan.

The Board of Directors is accountable for the contents of the plan, including what is contained in the plan and how it is reported. All significant assumptions, policy decisions, events and identified risks, as of December 16, 2015, have been considered in preparing the plan.

The performance measures presented are consistent with the Taxpayer Accountability Principles, TI Corp's mandate and goals, and focus on aspects critical to the corporation's performance. The targets in the plan have been determined based on an assessment of TI Corp's operating environment, forecasting assumptions, risks and past performance.



Colin Hansen

Chair, Board of Directors

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Strategic Direction and Context

Strategic Direction

TI Corp completed construction of the Port Mann Bridge and Highway 1 corridor improvements in 2015/16. Remaining off-corridor elements of the project, primarily the Golden Ears Connector, will be completed in 2016/17 when 100% of the Port Mann/Highway 1 Improvement Project (the “Project”) will be fulfilled within the approved \$3.319 billion capital budget. The organization’s mandate, as defined in its **2016/17 Mandate Letter**, is to recover the capital, operating and maintenance costs of the Port Mann/Highway 1 Improvement Project through the operation of an all-electronic toll system. TI Corp will work closely with the Ministry of Transportation and Infrastructure to ensure its financial targets and reporting requirements are met and also support the implementation of the George Massey Tunnel Replacement Project.

In alignment with government direction, TI Corp has adopted the Government of British Columbia’s Taxpayer Accountability Principles. The organization’s policies, processes and values align with the principles of cost consciousness, accountability, appropriate compensation, service, respect and integrity.

Operating Environment

Port Mann/Highway 1 corridor construction has concluded and 2016/17 will mark the organization’s first year of highway operations without ongoing Highway 1 construction.

Traffic is expected to continue to rebound on the Port Mann Bridge through the service planning period and beyond. Forecasts indicate long term traffic growth as a result of the pronounced time savings on the improved highway and the anticipated population growth in the region. This confirms TI Corp’s ability to continue to repay the project debt and meet all financial obligations by 2050, the date prescribed in the Concession Agreement with the Province of British Columbia.

To confirm the organization’s long term financial sustainability, TI Corp will continue to make improvements to the TReO toll system to ensure it remains a best-in-class, stable, scalable, efficient and long term cost-effective tolling solution.

TI Corp is continuing its emphasis on customer service with increased focus on customer experience and engagement. Ongoing initiatives include a drive to e-billing, improving TReO online functionality for customer self-service and continuing work to streamline combined billing between the Port Mann Bridge and the Golden Ears Bridge. These initiatives will reduce overhead costs and provide customers with easy and efficient options for managing their toll accounts.

Performance Plan

Goals, Strategies, Measures and Targets

TI Corp's goals reflect its mandate with best-in-class measures used by similar tolled bridges and roadways. These measures include safe and efficient corridor operation, financial efficiency and stability, and superior customer service – all supported by a driven, engaged workforce.

With the completion of Port Mann Bridge and Highway 1 corridor improvements, targets are being updated to reflect the organization's transition to full tolling and corridor operations.

In alignment with the Taxpayer Accountability Principles, a Code of Conduct has been approved and accepted by the Board of Directors. TI Corp continues to work with the Ministry of Transportation and Infrastructure (the Ministry) to develop both an evaluation plan to measure the organization's performance against the Taxpayer Accountability Principles and a strategic engagement plan to hold TI Corp accountable for the outcomes and measurements identified by the Ministry.

Goal 1: Deliver the Port Mann/Highway 1 Improvement Project on time and on budget

Strategies

The Port Mann/Highway 1 corridor improvements are complete and have been delivered through a design-build agreement between TI Corp and contractor Kiewit/Flatiron General Partnership. Through the design-build structure, the contractor was required to meet specific dates for the delivery of certain elements of the Project.

Construction of the 10-lane Port Mann Bridge and the Highway 1 corridor improvements was finished in 2015/16, as per the design-build agreement.

Remaining off-corridor elements of the Project, primarily the Golden Ears Connector, will be completed in 2016/17 and will be completed within the approved \$3.319 billion Project budget. To measure the goal of on-budget completion, TI Corp has set completion targets by fiscal year and measures progress against these targets. Responsibilities for construction-related cost overruns have been allocated in agreements with all contractors.

Performance Measure 1: Remain within the approved Capital Budget of \$3,319

Performance Measure (\$ millions)	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Remain within the approved Capital Budget of \$3,319 ¹	\$3,275	\$3,309	\$3,319	N/A	N/A

¹ All Port Mann / Highway 1 Improvement Project construction will be complete in 2016/17 and this performance measure will be retired from service planning reports in 2017/18.

Discussion

The data used to measure progress against budget is contained in TI Corp's annual financial statements, which are subject to an annual independent audit.

The performance measure for on time project completion has been met as all milestones for the opening of the Port Mann Bridge and Highway 1 corridor improvements were met on time as per the design-build agreement. The final components of the Project will be completed by March 31, 2017.

Goal 2: Ensure the safe and reliable movement of traffic and goods along the Port Mann/Highway 1 corridor

Goals of the Port Mann/Highway 1 Improvement Project include reduced congestion and travel times along the Highway 1 corridor, improved safety and accessibility, expanded transit service and an expanded transportation network to better accommodate high occupancy vehicles, cyclists and pedestrians. Drivers today are saving hours a week on the improved bridge and highway, facilitated by safer, more efficient infrastructure and intelligent transportation systems such as live travel time signage. TI Corp is accountable to ensure these service delivery goals are consistently achieved along the corridor.

Strategies

TI Corp's strategies to achieve these goals along the new Port Mann/Highway 1 corridor include:

- Managing corridor reliability and travel time predictability
- Ensuring corridor efficiency and minimizing disruptions to traffic flow

Performance Measure 2: Travel time savings

Travel times on the Port Mann/Highway 1 corridor have been measured against drive times prior to improvements.

Pre-construction travel time benchmarks were set in the 2012/13 reporting period before Port Mann/Highway 1 improvements were opened to traffic. Forecasts and targets for these routes were analyzed after the opening of all new Highway 1 lanes to measure the Project's travel time savings.

Performance Measure	Pre-construction Roundtrip Actual	2014/15 Actual ²	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Route 1 ³ 152 St to/from United Blvd	23 minutes	9 minutes 61% savings	50% savings	50% savings	50% savings	N/A
Route 2 ⁴ 200 St to/from Grandview Hwy	1 hour 47 minutes	58 minutes 46% savings	50% savings	50% savings	50% savings	N/A
Route 3 ⁵ 176 St to/from Brunette Ave	52 minutes	25 minutes 52% savings	50% savings	50% savings	50% savings	N/A

² Round trip travel times are based on westbound AM and eastbound PM total travel times.

³ Route 1: 152 Street at 108 Avenue, Surrey to/from United Boulevard at Lougheed Highway, Coquitlam.

⁴ Route 2: 200 Street at 80 Avenue, Langley to/from Boundary Road at Grandview Highway, Vancouver.

⁵ Route 3: 176 Street at 96 Avenue, Surrey to/from Brunette Avenue at Lougheed Highway, Coquitlam.

Discussion

Travel times were measured in prevailing conditions by an independent traffic engineering firm. Routes were traveled several times to estimate the average travel time.

This performance measure will be retired after 2017/18 and replaced with a measure of Port Mann/Highway 1 travel times compared to alternate Fraser River crossings. Key routes between origins and destinations will be compared to provide an accurate assessment of the Highway 1 corridor's average daily performance.

Routes from the Gateway Program Definition Report to and from high density locations around Metro Vancouver and through the region will be updated and compared through 2016/17 so this measure can be reported in 2017/18.

Round trip travel times on the alternate routes will be compared to Port Mann/Highway 1 times using an average of travel times during morning and afternoon peak periods provided through Google Maps. The time savings on the Port Mann Bridge route are the difference between the roundtrip times on the Port Mann compared to the alternate routes.

Performance Measure 3: Corridor incident prevention

A key objective of the Port Mann/Highway 1 corridor improvements is to increase safety and efficiency. Improved interchanges, new merging lanes, dedicated on and off-ramps and an overall reduction in congestion all contribute to a safe and efficient corridor.

To compare collision data from the improved Highway 1 corridor to data from the original corridor, information was gathered from the British Columbia Ministry of Transportation and Infrastructure's Collision Information System⁶. The data used to develop the baseline is from the five years prior to the commencement of Port Mann/Highway 1 construction, 2004/05 to 2008/09.

Performance Measure	2004/05 - 2008/09 Preconstruction Baseline	2013/14 Actual	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Vehicle collisions on the PMB11 corridor	680 collisions	390 collisions 43% reduction	TBD ⁷	25% reduction from baseline	25% reduction from baseline	25% reduction from baseline	25% reduction from baseline

⁶ The Collision Information System database is populated by collision information gathered by police incident reports on the provincial roadways and received from ICBC.

⁷ Because data required to populate the Collision Information System is obtained from ICBC and the RCMP and relies on resources from those agencies, there is a known reporting lag of approximately one year for this data. 2014/15 actual data is expected in spring 2016.

Discussion

Targets of a 20-30% reduction from the pre-construction baseline are a conservative forecast based on collision data TI Corp observed during 2013/14 on the improved sections of Highway 1 through Langley, Surrey and the Port Mann Bridge.

Goal 3: Operate a self-sustaining and financially stable organization

The Port Mann/Highway 1 Improvement Project is a self-funded project using all-electronic, open-road tolling technology. The Concession Agreement between the Province and TI Corp requires the Corporation to repay the Port Mann/Highway 1 Improvement Project debt by 2050 as well as fund the operations, maintenance and current and future rehabilitation.

Updated traffic forecasts, based on actual and observed traffic since December 2012, indicate long-term traffic growth on the bridge and support TI Corp's financial sustainability and its ability to meet its financial obligations and deficit targets.

TI Corp will ensure it remains financially stable by implementing operational efficiencies, controlling administrative costs and achieving approved deficit targets.

As a public Crown corporation and as part of the Government of British Columbia's Public Sector Employer's Council (PSEC), TI Corp operates under PSEC's best practices for transparent and full disclosure of public sector executive compensation.

TI Corp has established financial metrics that set out the requirements and objectives for the organization. A full financial report is included in the Summary of Financial Outlook section of this Service Plan that highlights annual revenue, operating cost and deficit targets laid out in the organization's long term plan.

Strategies

TI Corp's strategies to operate a self-sustaining and financially stable organization include:

- Repay the Port Mann Highway 1 Improvement Project debt within the prescribed time period
- Implement operational efficiencies and control administrative expenses to keep costs low for TI Corp and tolls low for customers
- Meet annual deficit targets

TI Corp's annual revenue targets have been set to increase year over year corresponding with increasing traffic volumes on the Port Mann Bridge. At the same time, through the implementation of certain efficiencies, costs have been capped to limit overhead growth. As part of prudent financial management, traffic forecasts are reviewed regularly.

Performance Measure 4: Operational efficiency

A key measure of operational efficiency for an open road tolling system is the number of registered customers and the percentage of customers with registered accounts. Registered accounts with windshield decals and payment mechanisms on file are most efficient and cost effective because they are more accurate and payment and invoicing is fully automated, substantially reducing administrative and overhead costs.

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Per cent of regular users with registered accounts	54%	54%	80-85%	80-85%	80-85%

Discussion

TI Corp's goal of having 80-85% of regular users registered is consistent with best-in-class industry standards. With over 15,000 new accounts registered in any given month, priority will be to maintain and potentially increase this number in order to improve operational efficiency and remain a best-in-class tolling system.

Goal 4: Provide superior customer service

Delivering customer service with respect, integrity and accountability is a key priority for TI Corp. TR&O Customer Service Centres receive more than 30,000 phone calls, 4,000 walk-in customers and respond to approximately 3,000 customer emails and letters each month. To ensure the toll operator maintains a satisfactory level of responsiveness, respect and customer service, customer satisfaction is measured using regular monthly surveys.

Strategies

TI Corp's strategies to provide continual superior customer service include:

- Operate a toll system that is easy, electronic and efficient for customers
- Ensure customers are satisfied and receive superior service

Performance Measure 5: Overall satisfaction with the toll system and customer service

Performance Measure	2016/15 Actual	2016/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Overall satisfaction with the toll system and customer service	81%	75%	80-85%	80-85%	80-85%

Discussion

This performance measure and target is derived from regular surveys of TR&O customers conducted by TI Corp.

Specific customer service performance targets from past service plans have been refined to one general measure of customer satisfaction. This measure includes all customer contact channels and provides an overview of satisfaction with TR&O customer service.

The measure of driver satisfaction with Port Mann Highway 1 corridor improvements has been refined with the planned introduction of new performance measures in Goal 2, the safe and reliable movement of traffic and goods. Travel times and safety improvements on the corridor are a more accurate representation of corridor performance in keeping with the Project goals.

Goal 5: Engage a workforce that drives operational success

TI Corp requires a highly qualified, diverse and flexible workforce in order to provide reliable, customer-oriented service for commuters and stakeholders that rely on TR&O and the Port Mann Highway 1 corridor.

Overview

TI Corp's strategies to engage its workforce and drive operational success include:

- Supporting and investing in its employees
- Fostering a culture of fiscal responsibility, teamwork and innovation

Performance Measure 6: Employee satisfaction with TI Corp as an employer of choice that invests in and supports its employees

TI Corp monitors success in leading an engaged workforce through its annual employee survey, which covers a broad range of attributes including performance management and employee engagement.

TI Corp employees embrace the incorporation of the Transport Accountability Principles such as accountability, service, respect and integrity into their daily responsibilities and performance plans. Specific initiatives to foster greater engagement include the creation of departmentally diverse and collaborative working groups such as the Community Engagement Committee and Internal Communication Team.

The target for 2016/17 has been set at "previous result +2%" to reflect the desired level of continuous improvement to the score.

(\$ millions)	2014/15 Actual	2015/16 Target	2016/17 Target ^a	2017/18 Target	2018/19 Target
Employee satisfaction with TI Corp as an employer of choice that invests in and supports its employees	71%	73%	(Previous actual result +2%)	75%	77%

^a Target 6.1 is designed based on previous year's performance.

^b The 2018/19 Target is being reported here in place of a forecast. The employee engagement survey will be conducted at the end of fiscal 2018/19 allowing actual results to be disclosed in the Annual Report.

Disclosures

Performance is measured using the organisation's annual employee engagement survey conducted at the end of each fiscal year.

Financial Plan

Summary Financial Outlook

(\$m)	2014/15 Actual ⁽¹⁾	2014/16 Forecast	2016/17 Budget	2017/18 Target	2018/19 Target
Total Revenue	122	128	137	146	154
Tolling Operations	10	10	10	10	10
Highway Operations	10	10	10	10	10
Finance & Management Services	2	2	7	7	7
Departmental Operating Expenses	30	30	30	30	30
Non-allowable Departmental Expenses	60	75	100	135	120
Depreciation	40	50	50	55	50
Operating Costs	100	105	100	100	100
Other Operating Expenses	122	101	205	217	207
Net Loss	60	60	67	60	67
Total Debt	1,046	1,075	1,019	1,000	1,000
Accumulated Debt	15	60	60	60	67

⁽¹⁾ Operating expense categories for 2014/15 have been reclassified to better align with future reporting.

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(\$m)	2014/15 Actual ¹	2015/16 Forecast	2016/17 Budget	2017/18 Target	2018/19 Target
<i>Total Departmental Expenses (by Nature)</i>					
Contracted Services	24	23	23	24	24
Professional Services	2	2	2	1	1
Administration & Other	2	3	3	3	3
Salaries	3	3	4	4	4
Facilities	2	1	1	1	1
Allowance for Doubtful Accounts	1	1	1	1	1
Total Expenses	34	33	34	34	34

TI Corp's Concession Agreement with the Province of British Columbia requires repayment of the Port Mann/Highway 1 Improvement Project debt by 2050. As such, TI Corp has taken a prudent, long-term approach to financial management.

Traffic forecasts confirm TI Corp's expectations for continual long term traffic growth on the Port Mann Bridge. The time savings on the improved highway and the anticipated population growth in the region, combined with actual, observed data from tolling operations are significant factors in TI Corp's conservative and risk-averse long term financial outlook. To date, performance against the outlook has been favourable and confirms the organization's ability to meet its obligations and repay the project debt by 2050.

To create predictable and affordable borrowing costs, TI Corp adopted a financial strategy that includes a mix of short and long term debt. By taking advantage of current low, long term interest rates, TI Corp has increased stability and minimized risk associated with exposure to variable interest rates.

As TI Corp enters its fourth year of tolling, greater operational experience has provided better clarity of the organization's current and future operational and administrative requirements. To meet all requirements, TI Corp will continue to improve the long term stability, reliability, flexibility, scalability and affordability of the TRoO tolling system.

Current operational performance has provided management confidence in the forecasts that indicate long term growth of traffic volumes, revenue and ability to meet its financial obligations. Cost and risk management strategies will enable the organization to work towards meeting its targets.

Capital plan

Construction of Port Mann Bridge and Highway 1 corridor improvements were completed 2015/16, as per the design-build agreement with Kiewit/Flatiron General Partnership. Remaining off-corridor elements of the project, primarily the Golden Ears Connector, will be completed in 2016/17 when 100% of the Project will be fulfilled within the approved \$3.319 billion capital budget. The total Project budget includes the construction cost of the design-build contract, contract works with other contractors, as well as interest charges incurred during construction, land rights payments, tolling infrastructure development and project management costs.

In addition to the project construction above, minor expenditures relating to rehabilitation (post Project completion) of approximately \$14 million over the three year service plan period, are included in the capital plan.

Major Capital Projects (over \$50 M)

Major Capital Projects

	Targeted Completion Date (Year)	Approved Anticipated Total Cost of Project (\$ millions)	Project Cost to Dec 31, 2015
Port Mann/Highway 1 Improvement Project	March 31, 2017	\$3,319	\$3,296

Port Mann/Highway 1 corridor improvement construction was declared complete in September 2015. The new 10 lane Port Mann Bridge and 37 kilometers of highway improvements cleared the worst bottleneck in the province and drivers are saving several hours per week on the faster, more efficient corridor.

Work on the Golden Ears Connector, an off-corridor improvement included as part of the Port Mann/Highway 1 Improvement Project, will be completed in 2016/17.

Appendix A:

Hyperlinks to Additional Information

Corporate Governance

Details of TI Corp's corporate governance, including Board of Directors, governance principles and key accountabilities are available online at www.pmh1project.com/about-the-project/about-ti-corp/Pages/corporate-governance.aspx

Organizational Overview

Details of TI Corp's enabling statute, mandate, vision and values is available online at www.pmh1project.com/about-the-project/about-ti-corp/Pages/default.aspx

Appendix B:

Subsidiaries and Operating Segments

TI Corp has no subsidiary information to report.

Appendix C:

Summary of Goals, Strategies and Performance Measures

Goals	Strategies	Measures	Forecast	Target		
			2015/16	2016/17	2017/18	2018/19
Deliver the PMH1 Improvement Project on time and on budget	Set completion and financial targets by fiscal year Contractors are responsible for construction-related cost overruns	Remain within the approved \$3,319 Capital Budget	\$3,309	\$3,319	N/A	N/A
Ensure the safe and reliable movement of traffic and goods along the PMH1 corridor	Manage corridor reliability and travel time predictability	Corridor travel time savings compared to baseline	50% savings	50% savings	50% savings	N/A
	Ensure corridor efficiency and minimize disruptions to traffic flow	Corridor incident prevention (preconstruction baseline = 680 collisions)	25% reduction from baseline	25% reduction from baseline	25% reduction from baseline	25% reduction from baseline
Operate a self-sustaining and financially stable organization	Repay the PMH1 Project debt within the prescribed time period Implement operational efficiencies and control administrative expenses to keep costs low for TI Corp and tolls low for customers	Per cent of regular users with registered accounts (target = 80-85%)	84%	80-85%	80-85%	80-85%
Provide superior customer service	Operate toll system that is easy, electronic and efficient for customers	Overall level of satisfaction with the toll system and customer service (target = 85%)	76%	80-85%	80-85%	80-85%
Engage a workforce that drives operational success	Support and invest in employees Foster a culture of fiscal responsibility, teamwork and innovation	Employee satisfaction with TI Corp as an employer of choice that invest in and supports its employees	73%	(Previous result +2%)	TBD	TBD

